

TOWN OF BALL, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

AUG 08 2012

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ROZIER, HARRINGTON & MCKAY

CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE • ALEXANDRIA, LOUISIANA 71301

JOHN S. ROZIER, IV, CPA
MARK S. MCKAY, CPA
LEE W. WILLIS, CPA
RHONDA L. RACHAL, CPA
STEVEN E. KIMBALL, CPA
RICHARD BESSON, CPA

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1608
M. DALE HARRINGTON, CPA
RETIRED - 2005

June 15, 2012

Independent Auditors' Report

To the Honorable Mayor and Board of Aldermen.
Town of Ball, Louisiana

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Ball, as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Ball's management.

Due to concerns regarding activities of the previous administration, management was not able to provide written representations as required by generally accepted auditing standards.

Because of the significance of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the financial statements referred to in the first paragraph.

The management's discussion and analysis and budgetary comparison information listed in the accompanying table of contents are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. However, we did not audit the information and express no opinion on it.

The other supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 15, 2012, on our consideration of the Town of Ball's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of the audit we were engaged to perform and should be read in conjunction with this report in considering the results of our audit.



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

~~Members~~

American Institute of Certified Public Accountants • Society of Louisiana, CPAs

ROZIER, HARRINGTON & MCKAY

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TELEPHONE (318) 442-1608
M. DALE HARRINGTON, CPA
RETIRED - 2008

June 15, 2012

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Board of Aldermen
Town of Ball, Louisiana

We were engaged to audit the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Ball, as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 15, 2012. We did not express an opinion on basic financial statements because due to concerns regarding activities of the previous administration, management was not able to provide written representations as required by generally accepted auditing standards. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Town of Ball is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Ball's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as **2011-1** and **2011-2** in the accompanying schedule of findings and questioned costs to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider none of the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

-Members-


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COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town of Ball's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported *under Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items **2011-1 and 2011-3**.

The Town of Ball's response to the findings identified in our audit is described in the accompanying Management's Corrective Action Plan. We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management. However, this report is a matter of public record and its distribution is not limited.



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

Town of Ball

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2011

This section of the Town of Ball's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended December 31, 2011.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Town's assets (including infrastructure acquired after January 1, 2004 and all of the Town's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including public safety, recreation, public works and general administration are reported as governmental activities. The governmental activities are financed by taxes, license and permit fees, fines and forfeitures, and intergovernmental sources.
- **Business-Type Activities** – Expenses associated with providing sanitation and utility services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with these services are reported as business type activities.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Town's most significant activities and are not intended to provide information for the Town as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Town has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Town's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.
- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the Town's utility services. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

A comparative analysis of government-wide financial data is presented as follows:

Net Assets

A condensed version of the government-wide Statement of Net Assets is presented as follows:

Town of Ball

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2011

	For the Year Ended December 31, 2011			For the Year Ended December 31, 2010
	Govern- mental Activities	Business- Type Activities	Total	
<u>Assets:</u>				
Current and Other Assets	\$ 1,542,614	\$ 563,013	\$ 2,105,627	\$ 2,285,573
Capital Assets	1,121,362	8,023,080	9,144,442	8,385,532
Total Assets	<u>2,663,976</u>	<u>8,586,093</u>	<u>11,250,069</u>	<u>10,671,105</u>
<u>Liabilities:</u>				
Current and Other Liabilities	38,468	161,098	199,566	832,507
Long-term Liabilities	—	51,624	51,624	81,844
Total Liabilities	<u>38,468</u>	<u>212,722</u>	<u>251,190</u>	<u>914,351</u>
<u>Net Assets:</u>				
Invested in Capital Assets (Net)	1,121,362	7,941,211	9,062,573	8,275,454
Restricted	611,396	—	611,396	516,250
Unrestricted	892,750	432,160	1,324,910	965,050
Total Net Assets	<u>\$ 2,625,508</u>	<u>\$ 8,373,371</u>	<u>\$ 10,998,879</u>	<u>\$ 9,756,754</u>

As the presentation appearing above demonstrates, the largest portion of the Town's net assets (82.3%) are invested in capital assets. Net assets invested in capital assets consist of land, buildings, equipment, and infrastructure less any debt used to acquire the assets that remain outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

An additional portion of the net assets (5.6%) represent resources that are subject to restrictions that are imposed by agreements with various revenue sources.

The remaining resources (12.1%) are unrestricted and may be used at the Town's discretion.

Changes in Net Assets

A condensed version of the government-wide Statement of Changes in Net Assets is presented as follows:

Town of Ball

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2011

	For the Year Ended December 31, 2011			For the Year Ended December 31, 2010
	Govern- mental Activities	Business- Type Activities	Total	
Revenues:				
Program Revenue:				
Charges for Services	\$ 354,323	\$ 832,551	\$ 1,186,874	\$ 1,224,178
Operating Grants and Contributions	33,892	—	33,892	25,818
Capital Grants and Contributions	—	1,236,762	1,236,762	930,046
General Revenue:				
Taxes	1,072,103	52,878	1,124,981	1,086,543
Licenses & Permits	107,032	—	107,032	99,425
Intergovernmental	—	—	—	—
Other	37,441	31,273	68,714	34,600
Total Revenue	1,604,791	2,153,464	3,758,255	3,410,610
Program Expenses:				
General Government	362,849	—	362,849	446,172
Public Safety				
Police Department	550,374	—	550,374	542,886
Fire Department	132,582	—	132,582	155,854
Public Works – Streets	399,875	—	399,875	406,353
Interest on Long-Term Debt	318	—	318	158
Sanitation	—	350,160	350,160	348,755
Sewer	—	737,072	737,072	798,307
Total Expenses	1,445,998	1,087,232	2,533,230	2,698,485
Increase in Net Assets Before Transfers and Special Items	158,793	1,066,232	1,225,025	712,125
Transfers	(20,802)	20,802	—	—
Change in Net Assets	137,991	1,087,034	1,225,025	712,125
Net Assets Beginning	2,487,517	7,286,337	9,773,854	9,044,629
Net Assets Ending	\$ 2,625,508	\$ 8,373,371	\$ 10,998,879	\$ 9,756,754

Governmental activities increased the Town's net assets by \$137,991. The increase is attributable to a decrease in General Government expenses resulting from careful budget and stewardship of the Town's resources.

Business-type activities increased the Town's net assets by \$1,087,034. The increase is attributable to capital contributions resulting from grants awarded for improvement to the utility system.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

An analysis of significant matters affecting the Town's funds is presented as follows:

- The Town's governmental funds reported combined fund balances of \$1,504,146, which represents an increase of \$268,846. The increase is attributable to efficient use of the Town's resources.

Town of Ball

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2011

- Amounts reported for business-type activities in the Town's individual funds are identical to the business-type activities reported in the government-wide presentation.

GENERAL FUND BUDGET HIGHLIGHTS

Budgets were amended in order to increase the original revenue projections and reduce the original expense appropriations to an amount more closely resembling actual expenditures.

CAPITAL ASSET ADMINISTRATION

Capital asset activity for the year ended December 31, 2011 is summarized as follows:

	Governmental Activities	Business- Type Activities	Total
Additions:			
Equipment Acquisition	\$ 37,808	\$ —	\$ 37,808
Sewer System Improvements	—	1,247,325	1,247,325
Total Additions	37,808	1,247,325	1,285,133
Depreciation	(169,165)	(357,058)	(526,223)
Net Increase (Decrease)	(131,357)	890,267	758,910
Beginning Capital Asset (Net)	1,252,719	7,132,813	8,385,532
Ending Capital Assets (Net)	<u>\$ 1,121,362</u>	<u>\$ 8,023,080</u>	<u>\$ 9,144,442</u>

DEBT ADMINISTRATION

No new debt was issued. Debt activity was limited to repaying a portion of existing debt totaling \$28,209. The amount repaid represents 25.6% of the balance outstanding at the beginning of the year.

FACTORS EXPECTED TO AFFECT FUTURE OPERATIONS

At the present time, management is not aware of any factors expected to have a significant impact on future operations.

Town of Ball

STATEMENT OF NET ASSETS

December 31, 2011

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,328,315	\$ 444,730	\$ 1,773,045
Receivables (net)	214,299	61,677	275,976
Restricted Assets			
Cash and Cash Equivalents	-	55,106	55,106
Receivables (net)	-	1,500	1,500
Capital assets			
Non depreciable capital assets	50,000	15,692	65,692
Depreciable capital assets, net	1,071,362	8,007,388	9,078,750
Total assets	2,663,976	8,586,093	11,250,069
<u>LIABILITIES</u>			
Accounts and other payables	38,468	31,598	70,066
Deposits due others	-	99,255	99,255
Liabilities Payable From Restricted Assets			
Long-Term Debt			
Due within one year	-	30,245	30,245
Due in more than one year	-	51,624	51,624
Total liabilities	38,468	212,722	251,190
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	1,121,362	7,941,211	9,062,573
Restricted	611,396	-	611,396
Unrestricted	892,750	432,160	1,324,910
Total net assets (deficit)	\$ 2,625,508	\$ 8,373,371	\$ 10,998,879

The accompanying notes are an integral part of the financial statements.

Town of Ball

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

	Program Revenues			Net Revenue (Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Business-Type Activities
Governmental Activities:					
General Government	\$ 362,849	\$ 105,098	\$ -	\$ -	\$ (257,751)
Public Safety					
Police Department	550,374	222,995	20,881	-	(306,498)
Fire Department	132,582	5,755	13,011	-	(113,816)
Public Works (Highways and Streets)	399,875	20,475	-	-	(379,400)
Interest on Long-Term Debt	318	-	-	-	(318)
Total Governmental Activities	1,445,998	354,323	33,892	-	(1,057,783)
Business-Type Activities:					
Sanitation	350,160	349,045	-	-	(1,115)
Sewer	737,072	483,506	-	1,236,762	983,196
Total Business-Type Activities	1,087,232	832,551	-	1,236,762	982,081
Total	\$ 2,533,230	\$ 1,186,874	\$ 33,892	\$ 1,236,762	\$ (75,702)
General Revenues:					
Taxes:					
Ad Valorem				65,800	65,800
Sales				832,176	832,176
Franchise				174,127	174,127
Licenses & Permits				107,032	107,032
Other				37,441	37,441
Transfers				(20,802)	(20,802)
Total General Revenues, Special Items and Transfers				1,195,774	1,195,774
Change in Net Assets				137,991	1,087,034
Net Assets - Beginning:					
As Originally Reported				2,470,417	9,756,754
Prior Period Adjustment				17,100	17,100
As Restated				2,487,517	9,773,854
Net Assets - Ending				\$ 2,625,508	\$ 10,998,879

The accompanying notes are an integral part of the financial statements.

Town of Ball

Balance Sheet

Governmental Funds - December 31, 2011

	<u>General Fund</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 1,328,315
Receivables (net)	<u>214,299</u>
Total assets	\$ 1,542,614
 <u>Liabilities and Fund Balance</u>	
<u>Liabilities</u>	
Accounts Payable	\$ <u>38,468</u>
Total liabilities	<u>38,468</u>
 <u>Fund Balance</u>	
Restricted For:	
Public Safety - Fire	470,342
Public Safety - Police	29,314
Public Works (Highways and Streets)	111,740
Unassigned	<u>892,750</u>
Total Fund Balances	<u>1,504,146</u>
 Total Liabilities and Fund Balance	 \$ <u>1,542,614</u>

The accompanying notes are an integral part of the financial statements.

Town of Ball

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

Year Ended December 31, 2011

Total Fund Balances - Governmental Funds	\$ 1,504,146
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>1,121,362</u>
Net Assets of Governmental Activities	<u>\$ 2,625,508</u>

The accompanying notes are an integral part of the financial statements.

Town of Ball

Statement of Revenues, Expenditures and Changes in Fund Balance **Governmental Funds - Year Ended December 31, 2011**

	<u>General Fund</u>
<u>Revenues:</u>	
Taxes:	
Ad Valorem	\$ 65,800
Sales	832,176
Franchise	174,127
Licenses & Permits	107,406
Charges for Services	40,988
Intergovernmental	127,491
Fines and Forfeitures	219,358
Other	37,441
Total Revenues	<u>1,604,787</u>
<u>Expenditures:</u>	
Current:	
General Government	340,205
Public Safety	
Police Department	510,166
Fire Department	79,189
Public Works (Highways and Streets)	346,951
Capital Expenditures	37,808
Debt Service	820
Total Expenditures	<u>1,315,139</u>
Excess (Deficiency) of Revenue Over Expenditures	289,648
<u>Other Financing Sources (Uses):</u>	
Operating Transfers Out	<u>(20,802)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>268,846</u>
<u>Fund Balance (Deficit) - Beginning of Year</u>	
As Originally Reported	1,218,200
Prior Period Adjustment	<u>17,100</u>
As Restated	<u>1,235,300</u>
Fund Balance (Deficit) - End of Year	<u>\$ 1,504,146</u>

The accompanying notes are an integral part of the financial statements.

Town of Ball

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year Ended December 31, 2011

Net change in fund balances of Governmental Funds \$ 268,846

Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over
estimated useful lives and reported as depreciation expense.

Capital Expenditures	37,808	
Depreciation	(169,165)	(131,357)

Repayment of bond principal is an expenditure in the governmental funds, but
the repayment reduces long-term liabilities in the statement of net assets.

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Change in net assets of governmental activities \$ 137,991

The accompanying notes are an integral part of the financial statements.

Town of Ball

Statement of Net Assets

Proprietary Funds - December 31, 2011

	Business-Type Activities - Enterprise Funds		
	Sanitation	Sewer System	Total
<u>ASSETS:</u>			
Current Assets:			
Cash and cash equivalents	\$ 130,818	\$ 313,912	\$ 444,730
Receivables (net)	28,743	32,934	61,677
Interfund receivables	10,430	-	10,430
Total current assets	169,991	346,846	516,837
Restricted Assets:			
Cash and cash equivalents	-	55,106	55,106
Receivables	-	1,500	1,500
Noncurrent Assets:			
Non depreciable capital assets	-	15,692	15,692
Depreciable capital assets, net	163,881	7,843,507	8,007,388
Total assets	333,872	8,262,651	8,596,523
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts and other payables	15,798	15,800	31,598
Deposits due others	36,282	62,973	99,255
Interfund payables	-	10,430	10,430
Total current liabilities	52,080	89,203	141,283
Liabilities Payable From Restricted Assets:			
Current portion of long-term debt	13,024	17,221	30,245
Noncurrent Liabilities:			
Long-term debt	13,839	37,785	51,624
Total liabilities	78,943	144,209	223,152
<u>NET ASSETS:</u>			
Invested in capital assets, net of related debt	137,018	7,804,193	7,941,211
Unrestricted	117,911	314,249	432,160
Total net assets (deficit)	\$ 254,929	\$ 8,118,442	\$ 8,373,371

The accompanying notes are an integral part of the financial statements.

Town of Ball

Statement of Revenues, Expenditures and Changes in Fund Net Assets Proprietary Funds - Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds		
	Sanitation	Sewer System	Total
<u>Operating Revenues:</u>			
Service Fees	\$ 347,078	\$ 443,531	\$ 790,609
Other	1,967	39,975	41,942
Total Operating Revenues	349,045	483,506	832,551
<u>Operating Expenses:</u>			
Salaries and Benefits	147,689	156,400	304,089
Insurance	17,329	7,822	25,151
Repairs & Maintenance	22,159	100,257	122,416
Supplies & Chemicals	39,672	21,783	61,455
Utilities	778	99,602	100,380
Depreciation	28,023	329,035	357,058
Disposal Fees	56,038	-	56,038
Other	38,472	17,557	56,029
Total Operating Expenses	350,160	732,456	1,082,616
Operating Income (Loss)	(1,115)	(248,950)	(250,065)
<u>Nonoperating Revenues (Expenses):</u>			
Taxes	24,682	28,196	52,878
Intergovernmental	-	379,797	379,797
Other Revenue	58	31,215	31,273
Interest Expense	-	(4,616)	(4,616)
Change in Net Assets Before Contributions and Transfers	23,625	185,642	209,267
<u>Contributions and Transfers:</u>			
Capital Contributions	-	856,965	856,965
Operating Transfers In	-	20,802	20,802
Change in net assets	23,625	1,063,409	1,087,034
Total net assets - beginning	231,304	7,055,033	7,286,337
Total net assets - ending	\$ 254,929	\$ 8,118,442	\$ 8,373,371

The accompanying notes are an integral part of the financial statements.

Town of Ball

Statement of Cash Flows

Proprietary Funds - Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds		
	Sanitation	Sewer System	Total
<u>Cash flow from operating activities:</u>			
Cash received from customers	\$ 352,571	\$ 486,607	\$ 839,178
Cash payments to suppliers of goods and services	(172,111)	(257,665)	(429,776)
Cash payments to employees for services	(147,689)	(156,400)	(304,089)
Net cash provided (used) by operating activities	32,771	72,542	105,313
<u>Cash flows from non-capital financing activities:</u>			
Change in interfund balances	(10,430)	60,544	50,114
Operating transfers in	-	20,802	20,802
Taxes	24,682	28,196	52,878
Other Non Operating Revenue	58	31,215	31,273
Net cash provided (used) by non-capital financing activities	14,310	140,757	155,067
<u>Cash flows from capital and related financing activities:</u>			
Capital expenditures	-	(749,123)	(749,123)
Capital grant proceeds	-	219,469	219,469
Principle paid on revenue bonds	(11,523)	(16,186)	(27,709)
Interest paid on debt instruments	-	(4,616)	(4,616)
Net cash provided (used) by capital and related financing activities	(11,523)	(550,456)	(561,979)
Net increase (decrease) in cash	35,558	(337,157)	(301,599)
Beginning cash balance	95,260	706,175	801,435
Ending cash balance	130,818	369,018	499,836
Restricted cash and cash equivalents	-	55,106	55,106
Cash and cash equivalents	\$ 130,818	\$ 313,912	\$ 444,730

The accompanying notes are an integral part of the financial statements.

Town of Ball

Statement of Cash Flows (Continued)

Proprietary Funds - Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds		
	Sanitation	Sewer System	Total
<u>Reconciliation of operating income (loss)</u>			
<u>to net cash provided (used) by operating</u>			
<u>activities</u>			
Operating income (loss)	\$ (1,115)	\$ (248,950)	\$ (250,065)
Adjustments to reconcile operating income to net cash			
provided by operating activities:			
Depreciation	28,023	329,035	357,058
(Increase) decrease in accounts receivable	512	(4,296)	(3,784)
(Decrease) increase in accounts and other			
payables	2,337	(10,644)	(8,307)
(Decrease) increase in meter deposits	3,014	7,397	10,411
Net cash provided (used) by operating activities	<u>\$ 32,771</u>	<u>\$ 72,542</u>	<u>\$ 105,313</u>

Supplemental disclosures of cash flow information:

During the year ended December 31, 2011, the Rapides Parish Police Jury provided sewer improvements costing \$1,121,459 to the Town of Ball.

The accompanying notes are an integral part of the financial statements.

Town of Ball

Notes To Financial Statements

December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Ball (the Town) was incorporated under the provisions of the Lawrason Act. The Town is governed by a Mayor and a Board of Alderman consisting of five (5) members. Services provided by the Town include police protection, fire protection, and street maintenance. The Town also operates a sanitation service and a sewer system that are supported by user charges.

The accompanying policies conform to generally accepted accounting principles for governmental units.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the Town is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards establish criteria for determining which component units should be considered part of the Town of Ball for financial reporting purposes. The criteria to be considered are presented as follows:

1. Appointing a voting majority of an organization's governing body, and
 - a) The ability of the Town to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on these criteria the presented above, the only potential component unit is the Town's Volunteer Fire Commission. However, based on further consideration, it was determined that the Commission serves in an advisory capacity and does not have sufficient decision making authority to be considered a component unit.

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises. Since proprietary funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the Town only applies those FASB pronouncements that were issued on or before November 30, 1989.

Town of Ball

Notes To Financial Statements

December 31, 2011

The government-wide and fund financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Town as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

Fund Financial Statements

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and business-type (enterprise) funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The Town's major funds are described as follows:

Major Governmental Funds

General Fund – The general fund is the primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Major Business-Type Funds

Sanitation Service – Used to account for transactions associated with collecting and disposing of solid waste.

Sewer System – Used to account for sewer collection and treatment, which is supported by user charges.

Business-Type funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with the funds ongoing operations. Principal operating revenues are charges to customers for sanitation and sewer service.

Basis Of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

<u>Financial Statement Presentation</u>	<u>Basis of Accounting</u>	<u>Measurement Focus</u>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources
Fiduciary Funds	Accrual Basis	Economic Resources

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measure focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year

Town of Ball

Notes To Financial Statements

December 31, 2011

end or due under a cost reimbursement arrangement. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, compensated absences, claims and judgments are recorded as expenses when payment is made. Furthermore, when the current financial resources measurement focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt is reported as other financing sources and repayment of long-term debt is reported as an expenditure.

Use of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets:

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. Whenever restricted assets can be used to satisfy an obligation, the restricted assets are typically consumed before utilizing any unrestricted resources.

Budget Practices:

Budgets including any amendments are prepared in the manner prescribed by Louisiana revised statutes. Town budgets present revenue and expenditures on a basis which is consistent with generally accepted accounting principles. Budgets are adopted annually for the general fund and each special revenue fund. The remaining funds are not required to adopt budgets.

Capital Assets

Capital assets, which include property, equipment and infrastructure, are reported as assets in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Assets reported in the fund financial statements for governmental funds exclude capital assets. Instead, the governmental funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the Town. Capital assets are depreciated using the straight-line method and estimated useful lives ranging from 4 to 50 years. Useful lives are selected depending on the expected durability of the particular asset.

Cash and Cash Equivalents:

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit and highly liquid investments. Credit risk associated with bank deposits is limited by requiring fiscal agent banks to pledge securities as required by State Law. Furthermore, interest rate risk associated with certificates of deposits is typically mitigated by purchasing instruments that mature in one year or less.

Internal Activity:

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

In preparing the government-wide financial statements, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

Town of Ball

Notes To Financial Statements

December 31, 2011

NOTE 2 - CASH AND CASH EQUIVALENTS

At December 31, 2011, cash and cash equivalents included the following amounts:

	Governmental Activities	Business-Type Activities	Total
Cash Deposited in Banks	\$ 1,327,915	\$ 499,436	\$ 1,827,351
Cash on Hand	400	400	800
Total Cash	1,328,315	499,836	1,828,151
Restricted Cash	—	55,106	55,106
Cash and Cash Equivalents	\$ 1,328,315	\$ 444,730	\$ 1,773,045

Cash deposited in banks is stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2011, the Town has \$1,828,151 in deposits (\$1,871,600 collected bank balance). These deposits are secured from risk by \$953,401 of federal deposit insurance and \$2,335,548 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized, state law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable for the year ended December 31, 2011 are summarized as follows:

	Governmental Activities	Business-Type Activities	Total
<u>Accounts Receivable</u>			
Charges for Services	\$ —	\$ 72,181	\$ 72,181
Ad Valorem Taxes Receivable	16,337	—	16,337
Franchise Taxes	59,963	—	59,963
Allowance for Doubtful Accounts	—	(17,970)	(17,970)
Total Accounts Receivable	76,300	54,211	130,511
<u>Due From Other Governmental Units</u>			
Sales Taxes	137,999	7,466	145,465
Grant Reimbursement	—	1,500	1,500
Total Due From Other Governments	137,999	8,966	146,965
Total Receivables	214,299	63,177	277,476
Restricted Receivables	—	1,500	1,500
Unrestricted	\$ 214,299	\$ 61,677	\$ 275,976

Town of Ball

Notes To Financial Statements

December 31, 2011

NOTE 4 – CAPITAL ASSETS

Changes in governmental and business-type capital assets are presented as follows:

Non Depreciable Capital Assets				
	Beginning Balance	Additions	Disposals	Ending Balance
<u>Governmental Activities</u>				
Land	\$ 50,000	\$ —	\$ —	\$ 50,000
Construction in Process	—	—	—	—
Total Governmental Activities	<u>\$ 50,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50,000</u>
<u>Business-Type Activities</u>				
Sewer System				
Land	\$ 5,130	\$ —	\$ —	\$ 5,130
Construction in Process	883,231	1,247,325	2,119,994	10,562
Total Business-Type Activities	<u>\$ 888,361</u>	<u>\$ 1,247,325</u>	<u>\$ 2,119,994</u>	<u>\$ 15,692</u>

Depreciable Capital Assets				
	Beginning Balance	Additions	Disposals	Ending Balance
<u>Governmental Activities</u>				
Furniture, Fixtures and Equipment	\$ 1,351,388	\$ 37,808	\$ —	\$ 1,389,196
Buildings and Improvements	1,037,291	—	—	1,037,291
Street Infrastructure	91,009	—	—	91,009
Accumulated Depreciation	(1,276,969)	(169,165)	—	(1,446,134)
Total Governmental Activities	<u>\$ 1,202,719</u>	<u>\$ (131,357)</u>	<u>\$ —</u>	<u>\$ 1,071,362</u>
<u>Business-Type Activities</u>				
Sewer System				
Furniture, Fixtures and Equipment	\$ 271,401	\$ —	\$ —	\$ 271,401
Sewer System	11,623,882	2,119,993	—	13,743,875
Accumulated Depreciation	(5,842,734)	(329,035)	—	(6,171,769)
Total Sewer System	<u>6,052,549</u>	<u>1,790,958</u>	<u>\$ —</u>	<u>7,843,507</u>
Sanitation Department				
Furniture, Fixtures and Equipment	357,054	—	—	357,054
Buildings and Improvements	13,092	—	—	13,092
Accumulated Depreciation	(178,243)	(28,023)	—	(206,266)
Total Sanitation Department	<u>191,903</u>	<u>(28,023)</u>	<u>—</u>	<u>163,880</u>
Total Business-Type	<u>\$ 6,244,452</u>	<u>\$ 1,762,935</u>	<u>\$ —</u>	<u>\$ 8,007,387</u>

Depreciation expense charged to various functions presented on the statement of activities is presented as follows:

Town of Ball

Notes To Financial Statements

December 31, 2011

	Governmental Activities	Business-Type Activities	Total
General Government	\$ 22,644	\$ —	\$ 22,644
Police Department	40,204	—	40,204
Fire Department	53,393	—	53,393
Streets	52,924	—	52,924
Sewer System	—	329,035	329,035
Sanitation	—	28,023	28,023
Total Depreciation Expense	<u>\$ 169,165</u>	<u>\$ 357,058</u>	<u>\$ 526,223</u>

NOTE 5 – ACCOUNTS AND OTHER PAYABLES

Details related to amounts reported as accounts and other payables are provided as follows:

	Governmental Activities	Business-Type Activities	Total
Payable to Vendors	\$ 25,752	\$ 26,711	\$ 52,463
Accrued Payroll	12,716	4,887	17,603
Accounts and Other Payables	<u>\$ 38,468</u>	<u>\$ 31,598</u>	<u>\$ 70,066</u>

NOTE 6 - LONG-TERM LIABILITIES

Long-term liabilities attributable to the acquisition of the Town's utility system and the operation of the sewer and sanitation systems are reported as an obligation of the Town's business-type enterprise funds. Remaining long-term liabilities are reported as governmental activities. Details regarding the Town's long-term debt are provided as follows:

	Governmental Activities	Business-Type Activities	Total
<u>Long-Term Debt</u>			
Capital Lease Obligation	\$ —	\$ 26,863	\$ 26,863
Revenue Bonds	—	55,006	55,006
Total Long-term Debt	—	81,869	81,869
Due Within One Year	—	30,245	30,245
Due in More Than One Year	<u>\$ —</u>	<u>\$ 51,624</u>	<u>\$ 51,624</u>

Long-term debt activity during the year ended December 31, 2011 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities</u>				
Promissory Note	\$ 502	\$ —	\$ 502	\$ —

Town of Ball

Notes To Financial Statements

December 31, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Business-Type Activities</u>				
Capital Lease Obligation	38,385	---	11,522	26,863
Revenue Bonds	71,191	---	16,185	55,006
Total Business-Type Activities	109,576	---	27,707	81,869
Total Long-term Debts	\$ 110,078	\$ ---	\$ 28,209	\$ 81,869

Revenue Bonds

The Town has issued revenue bonds that are secured by and payable solely from a pledge of funds generated by a specific revenue source. Revenue bonds outstanding at December 31, 2011 are described as follows:

\$228,000 Sewer Revenue Refunding Bonds Series 1994, bearing interest at a rate of 6.5%. The bond is payable in annual installments of \$20,801. Final maturity is scheduled for March, 2014.

\$ 55,006

Scheduled Maturities:

A schedule of maturities for promissory notes and revenue bonds are presented as follows:

<u>Year Ended December 31st</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Business-Type Activities</u>			
2012	\$ 17,221	\$ 3,581	\$ 20,802
2013	18,340	2,461	20,801
2014	19,445	1,357	20,802
Total Business-Type	\$ 55,006	\$ 7,399	\$ 62,405

Capital Lease Obligations

The Town has acquired equipment need for operations by executing capital leases. Capital lease obligations outstanding at December 31, 2011 are described as follows:

\$58,352 lease to purchase a garbage truck in the amount of \$58,352 payable in 60 monthly installments of \$1,085 beginning March, 2009 and ending February, 2014 with interest at a rate of 4.35%

\$ 26,863

Future minimum lease payments associated with the lease obligation described above are presented as follow:

Town of Ball

Notes To Financial Statements

December 31, 2011

<u>Year Ended December 31st</u>	<u>Business Type Activities</u>
2012	\$ 13,024
2013	13,024
2014	2,171
Total Minimum Lease Payments	28,219
Amounts Representing Interest	1,356
Present Value of Future Minimum Lease Payments	<u>\$ 26,863</u>

NOTE 7 – TAXES:

Ad Valorem Taxes:

The Town bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Rapides Parish. Property taxes are limited to an assessment for general alimony as permitted by State Law. Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year the tax is levied. Revenues from ad valorem taxes are recognized as revenue in the year billed by the Town's General Fund.

Sales Taxes:

Citizens of the Town have permanently approved a 1.5% sales tax and a 0.5% sales tax. The sales taxes are collected by the Parish of Rapides and remitted to the Town on a monthly basis. The sales taxes are deposited in the Town's general fund and allocated to departments as required by dedications imposed by the sales tax propositions. These dedications are summarized as follows:

Fire Department	28.75%
Police Department	26.67%
Streets, Recreation and Community Centers	37.08%
General Administration	3.75%
Public Works and Facilities	3.75%
Total	<u>100.00%</u>

The Town is also entitled to receive a portion of a parish-wide sales tax that is shared with other government agencies. The proceeds of this tax is unrestricted. Accordingly, the tax is deposited in the general fund and expended at the Town's discretion.

In addition, the Town receives an allocation of sales taxes collected by the Parish for Road District Number 3. The proceeds of this tax are deposited in the general fund and used exclusive for the Town's Street Department.

NOTE 8- RISK MANAGEMENT

The Town is exposed to various risk of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town insures against these risks by participation in public entity risk pools that operate as common insurance programs and by purchasing commercial insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Town of Ball

Notes To Financial Statements

December 31, 2011

NOTE 9 – RESTRICTED RESOURCES

Bond covenants require the Town to establish bank accounts which serve as debt service and depreciation reserves. Funds may be disbursed from these accounts only under specific circumstances described by the bond covenants. In addition, certain funds provided by grants are restricted until expended for purposes that are consistent with restrictions imposed by the grantor.

NOTE 10 – PENSION PLANS

Substantially all Town employees are members of statewide retirement systems. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Information regarding each plan is presented as follows:

Municipal Employees' Retirement System of Louisiana:

Plan Description - The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan A. All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

Funding Policy - Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 14.25% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the system were equal to the required contributions for the year.

Municipal Police Employees' Retirement System of Louisiana

Plan Description - All full-time police department employees engaged in law enforcement are eligible to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

Town of Ball

Notes To Financial Statements

December 31, 2011

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70800-2250, or by calling (225) 929-7411.

Funding Policy - Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate that is currently 25%. The contribution requirements of plan members and the Town is established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the plan were equal to the required contributions for the year.

NOTE 11 – INTERNAL BALANCES

In some cases, the general fund collects funds on behalf of other funds and retains these funds until the resources are needed by the recipient fund.. These internal balances are summarized as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Business Type Funds</u>		
Sewer System	\$ ---	\$ (10,430)
Sanitation System	10,430	---
Total	\$ 10,430	\$ (10,430)

NOTE 12 - TRANSFERS

Transfers between the various funds have been summarized as follows:

	<u>General</u>	<u>Sewer System</u>
Transfers of excess general fund resources to the sewer fund.	\$ (20,802)	\$ 20,802

NOTE 13 – CONTINGENCIES:

Existing conditions that may have financial consequences are referred to as contingencies. Contingencies existing at December 31, 2011 are described as follows:

Litigation

Like most governmental units with extensive and diverse operations, the Town is occasionally named as a defendant in litigation. Based on consultation with Town Attorney, there are no anticipated claims that are expected to exceed available insurance coverage.

Grant Compliance

The Town receives state and federal assistance through various grant programs. Grantor agencies routinely review grant activity and could request reimbursement if a dispute occurs regarding compliance with grant conditions.

Town of Ball

Notes To Financial Statements

December 31, 2011

An investigation by FEMA of assistance received in connection with Hurricane Gustav resulted in the prosecution of several Town Officials. As a result of these prosecutions, the former Mayor, Town Clerk and Police Chief have entered guilty pleas in criminal proceedings. In addition to the criminal prosecutions, it is possible that the Town could be required to repay a portion of the FEMA assistance but potential repayment amounts cannot be estimated at the present time.

NOTE 14 – ON BEHALF PAYMENTS

The State of Louisiana provides supplemental pay for public safety employees that meet certain requirements. Amounts reported as revenue and expenditures by the Police Department in connection with State Supplemental Pay totaled \$15,000.

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

Payables reported at the end of the previous year exceeded the amount of the actual liability. In order to correct this oversight, it was necessary to record a prior period adjustment. The effect of prior period of adjustment on previous net assets and the change in net assets are provided as follows:

	<u>Government Wide</u>		<u>General Fund</u>	
	<u>Ending</u>	<u>Change in</u>	<u>Ending</u>	<u>Change in</u>
	<u>Net Assets</u>	<u>Net Assets</u>	<u>Net Assets</u>	<u>Net Assets</u>
As Originally Reported	\$ 2,470,417	\$ (59,881)	\$ 1,218,200	\$ (2,561)
Prior Period Adjustment	17,100	17,100	17,100	17,100
As Restated	<u>\$ 2,487,517</u>	<u>\$ (42,781)</u>	<u>\$ 1,235,300</u>	<u>\$ 14,539</u>

Town of Ball

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Year Ended December 31, 2011

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues	<u>1,534,798</u>	<u>1,663,736</u>	<u>1,605,255</u>	<u>(58,481)</u>
<u>Expenditures:</u>				
Current:				
General Government	435,996	370,796	420,936	(50,140)
Public Safety				
Police Department	526,631	474,022	490,649	(16,627)
Fire Department	179,630	63,445	98,876	(35,431)
Public Works (Highways and Streets)	399,445	369,638	349,432	20,206
Capital Expenditures	-	-	115,650	(115,650)
	-	-	7,020	(7,020)
Total Expenditures	<u>1,541,702</u>	<u>1,277,901</u>	<u>1,482,563</u>	<u>(204,662)</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(6,904)</u>	<u>385,835</u>	<u>122,692</u>	<u>(263,143)</u>
<u>Other Financing Sources (Uses):</u>				
Operating Transfers In	-	-	335,448	335,448
Operating Transfers Out	-	(57,000)	(8,050)	48,950
Excess (Deficiency) of Revenues and Other Sources				
Over Expenditures and Other Uses	<u>(6,904)</u>	<u>328,835</u>	<u>450,090</u>	<u>121,255</u>
Fund Balance (Deficit) - Beginning of Year	<u>1,235,300</u>	<u>1,235,300</u>	<u>1,235,300</u>	<u>-</u>
Fund Balance (Deficit) - End of Year	<u>\$ 1,228,396</u>	<u>\$ 1,564,135</u>	<u>\$ 1,685,390</u>	<u>\$ 121,255</u>

Town of Ball

Schedule of Compensation Paid to Board Members **For the year ended December 31, 2011**

Jonathan Dean	\$ 7,490
Roy Hebron	12,483
Roger Toney	44,136
Willie Bishop	8,100
Chris Covington	8,200
Jerry Giddings	8,000
Genevive Poteet	8,000
Curtis Robertson	8,100

Total Compensation	<u>\$ 104,509</u>
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TOWN OF BALL

Summary of Findings and Questioned Cost December 31, 2011

PART I

SUMMARY OF AUDITOR'S RESULTS

- The Independent Auditor's Report on the financial statements for the Town of Ball as of December 31, 2010 and for the year then ended expressed no opinion.
- Control deficiencies were reported in connection with the audit, see Part II for details.
- An instance of noncompliance material to the financial statements of the Town of Ball was disclosed during the audit.

PART II

FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

2011-1: BILLING PRACTICES

The previous administration did not adhere to established rate structures and billing practices for sewer and sanitation customers. In addition to failing to follow established internal controls, departures from the established rates represent a violation of provisions of state law that prohibit political subdivisions from donating things of value to persons, associations, or corporations.

Since taking office near the end of 2011, the new administration has devoted attention to implementing a new rate structure. However, at the present time a new rate structure has not been approved. Accordingly, this matter remains unresolved. In order to resolve this issue, we recommend corrective action described as follows:

- Review existing ordinances establishing rate structures and billing practices to determine if changes are necessary. If improvements are needed, introduce an ordinance to implement the necessary revisions to rate structures and billing practices.
- Revise rate information entered into the Town's computer system to eliminate any deviation from the established rate structure.
- For future billing periods, established rate structures should be enforced without exceptions.

2011-2: TRAFFIC CITATION ADMINISTRATION

Audit procedures have revealed some weaknesses related to the administration of the administration of traffic citations. The issues that need attention are summarized as follows:

- The Town uses computer software to track the disposition of each citation. For some of the citations reported in the computer system, the staff could not locate the original document. Since the original document represents evidence that is a vital part of the judicial proceedings each citation should be preserved in a manner that allows the document to be readily located.
- In some cases, information appearing in the Town's computer system was not properly maintained. As a result, the Town's cashier did not have access to accurate information when collecting payments from violators.
- Certain procedures should be followed when defendants fail make payments or appear in court. The necessary procedures include issuing a bench warrant and requesting suspension of the defendants driving privileges. These critical procedures have not been completed in a timely manner.

TOWN OF BALL

Summary of Findings and Questioned Cost December 31, 2011

- In order to facilitate tracking of citations, each document contains a unique, preprinted control number. Sound clerical practices include issuing the citation documents to the police officer in numerical order. However, this practice has not been followed and as a result the appropriate numerical sequence has not been maintained.
- When Police Officers need to replenish their supply of citation forms, the Officer is required to sign a log documenting the numerical sequence that was received. In at least one case, an officer signed for a number that was never entered into the computer system and the original document could not be located. Accordingly, the disposition of this citation could not be verified.

We suggest that the Town implement policies and procedures that will address each of the deficiencies described above. In general, the policies and procedures should ensure that the status of each citation is accurately reported in the Town's computer system and that original documents are available to verify the information in the computer system.

2011-3: AUDITORS' REPORT

As discussed in the independent auditors' report, concerns regarding activities of the previous administration prevent management from providing written representations as required by generally accepted auditing standards. Because of the significance of this matter, the scope of the audit work was not sufficient to enable the auditor to express an opinion.

Policies implemented by the State of Louisiana require political subdivisions, such as the Town of Ball, to conduct their affairs in a manner that will allow auditors' to express an opinion. Accordingly, the issue described previously represents a departure from established public policy.

PART III

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:

N/A

The Town of Ball did not receive sufficient Federal Awards to require an Audit under OMB Circular A-133.

TOWN OF BALL

Management's Corrective Action Plan

December 31, 2011

<u>SECTION I</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
<u>FINDINGS</u>	<u>RESPONSE</u>
<u>2011-1: BILLING PRACTICES</u> <p>The previous administration did not adhere to established rate structures and billing practices for sewer and sanitation customers. In addition to failing to follow established internal controls, departures from the established rates represent a violation of provisions of state law that prohibit political subdivisions from donating things of value to persons, associations, or corporations.</p> <p>Since taking office near the end of 2011, the new administration has devoted attention to implementing a new rate structure. However, at the present time a new rate structure has not been approved. Accordingly, this matter remains unresolved.</p>	<u>2011-1 MANAGEMENT'S RESPONSE</u> <p>In order to establish billing practices that are both equitable and practical to implement, this matter is being carefully deliberated. Careful deliberations are considered necessary to identify the best possible solution rather than adopting a hasty approach that may lead to unforeseen problems.</p> <p>Due to the time consuming nature of the process describe above, the newly elected administration has not had sufficient opportunity to resolve the matter. However, we expect the process to be completed during 2012.</p>
<u>2011-2: TRAFFIC CITATION ADMINISTRATION</u> <p>As discussed in the Summary of Findings and Questioned Costs, audit procedures have revealed numerous deficiencies in the administration of traffic citations. We suggest that the Town implement policies and procedures that will address each of the deficiencies described above. In general, the policies and procedures should ensure that the status of each citation is accurate reported in the Town's computer system and that original documents are available to verify the information in the computer system.</p>	<u>2011-2 MANAGEMENT'S RESPONSE</u> <p>Based on our consideration of this matter, it was determined that the Town Clerk's staff is better equipped for handling administrative affairs than the Police Department. Accordingly, responsibility for traffic citation administration will be transferred from the Police Department to Town Clerk's staff. We are confident that implanting this change will lead to the complete resolution of the auditor's findings.</p>
<u>2011-3: AUDITORS' REPORT</u> <p>As discussed in the independent auditors' report, concerns regarding activities of the previous administration prevent management from providing written representations as required by generally accepted auditing standards. Because of the significance of this matter, the scope of the audit work was not sufficient to enable the auditor to express an opinion.</p>	<u>2011-3 MANAGEMENT'S RESPONSE</u> <p>Issues that prevent management from providing written representations will not apply to the next fiscal year. Accordingly, we expect the matter to be resolved simply by the passage of time. As a result, no corrective action is necessary.</p>

TOWN OF BALL

Management's Corrective Action Plan

December 31, 2011

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
Policies implemented by the State of Louisiana require political subdivisions, such as the Town of Ball, to conduct their affairs in a manner that will allow auditors to express an opinion. Accordingly, the issue described previously represents a departure from established public policy.	

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
<u>There were no findings of this nature.</u>	<u>Due to the absence of findings no response necessary</u>

SECTION III MANAGEMENT LETTER	
<u>There were no findings of this nature.</u>	<u>Due to the absence of findings no response necessary</u>

TOWN OF BALL

Summary of Prior Year Findings and Questioned Cost December 31, 2011

<u>SECTION I</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
<u>FINDINGS</u>	<u>RESPONSE</u>
<u>2010-1: Billing Practices</u> The Town has enacted ordinances establishing rate structures and billing practices for sewer and sanitation customers. Despite enacting the necessary policies and procedures, management has deliberately deviated from the established rate structures. Departures from the rate structure include instances of providing service at a reduced rate and at least one instance of free service. In addition to failing to follow established internal controls, departures from the established rates represent a violation of provisions of state law that prohibit political subdivisions from donating things of value to persons, associations, or corporations	<u>2010-1: Unresolved</u> See 2011-1 for further details.
<u>2010-2: Compensation of Elected Officials</u> Proper administration of Municipal affairs requires adopting and implementing sound procedures for compensating elected officials. In order to establish the necessary procedures, some compensation practices need to be revised.	<u>2010-2: Resolved</u> The Town has adopted an ordinance establishing rates of pay for its Mayor. In addition, individuals that served as Mayor since February, 2011 were compensated in the manner prescribed by the ordinance and did not receive any additional compensation.
<u>2010-3: Audit Adjustments and Restricted Cash Accounts</u> Problems with the Town's accounting software prevented successful recording of audit adjustments and cash balances as recommend in connection with the 2009 audit.	<u>2010-3: Resolved</u> For the current year, audit adjustments have been properly reflected on the Town's books. Furthermore, all activity related to each of the Town's bank accounts has been reported on the Town's general ledger accounting system.

TOWN OF BALL

Summary of Prior Year Findings and Questioned Cost December 31, 2011

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
<p><u>2010-4: Municipal Court</u></p> <p>Charges appearing on citations issued by the Police Department are frequently reduced or dismissed by the municipal court. In many cases documentation of actions taken by the municipal court have been limited to informal notes. In order to enhance internal control, we suggest documenting future court decisions as follows:</p> <p>Any judicial action reducing or dismissing pending charges should be documented by an official entry in the court minutes.</p> <p>Actions by the prosecutor reducing or dismissing charges should be documented in writing and signed by the prosecutor.</p> <p><u>2010-5: Questioned Costs</u></p> <p>Questioned cost reported in connection with the previous audit included the following matters:</p> <p>Purchases of meals that did not result in a public benefit.</p> <p>Payment of the former Mayor's medical bills.</p> <p>Purchases of material for public officials to throw from floats during the Town's Christmas Parade.</p> <p>Undocumented telephone reimbursements for the former Mayor.</p>	<p><u>2010-4: Resolved</u></p> <p>Consideration of recently issued citations did not reveal any problems with documenting changes resulting from the judicial process.</p> <p><u>2010-5: Resolved</u></p> <p>An analysis of general ledger accounts and vendors associated with previous questioned costs did not reveal any additional cost other than those matters appearing in the previous audit report.</p>

TOWN OF BALL

Summary of Prior Year Findings and Questioned Cost December 31, 2011

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
<u>2010-6: Transaction Details</u> On numerous occasions, the description of cash disbursements recorded on the Town's general ledger system was limited to "one time vendor". In order to provide sufficient details for financial statement users and provide a suitable audit trail, future transactions appearing on Town's general ledger should fully identify the vendor receiving the payment.	<u>2010-6: Resolved</u> Inspection of general ledger activity for the period of time after the release of the 2010 audit report indicated that the Town continues to use "one time vendor" for transactions with vendors that are not used on a reoccurring basis. However, for each of these cases the transaction included a supplemental description that identified the payee recipient. Accordingly, this matter has been resolved.
<u>2010-7: Contract Labor</u> During the previous audit, it was discovered that a particular contractor received 47 separate payments totaling \$16,822 for approximately 1,003 hours of work without providing an invoice to document the work performed. In addition, the Town did not issue Form 1099 as required by the internal revenue service for transactions of this nature.	<u>2010-7: Resolved</u> During 2011, payments to the contractor in question were limited to two transactions that occurred before the resignation of the former Mayor in February of 2011. In addition, the Town implemented procedures for issuing 1099 forms when required.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
<u>FINDINGS</u> <u>No Findings of this nature were reported.</u>	<u>RESPONSE</u> <u>No response necessary</u>

SECTION III MANAGEMENT LETTER	
<u>FINDINGS</u> <u>No Findings of this nature were reported.</u>	<u>RESPONSE</u> <u>No response necessary</u>